

New Portland Tax Alignment Passed for City, County, and Metro

By Sean Wallace, CPA

A long overdue simplification for those doing business in the Portland area is in the works.

Recently, the Portland City Council voted to adopt proposed changes for Portland, Multnomah County, and Metro taxing authorities to adopt the state's sales factor apportionment. These proposed adoptions will be effective for tax years starting on or after January 1, 2023. The adopted conformity will reduce differences and allows the jurisdictions to adopt and conform to the state's market-based sourcing of sales. The effect of this will reduce apportionment and allocation differences and ease the preparation of jurisdiction tax returns.

The proposed administrative rule changes can be found at the links below:

- [Chapter 7.02 Proposed Administrative and Housekeeping Changes](#)
- [191010 | Amend Business License Law Code related to the apportionment and allocation of income \(amend Code Chapter 7.02\)](#)

The proposed changes did not conform entirely to Oregon's apportionment factor—an important disconnect would still exist. Complete conformity to the state would require the adoption of the state's throwback provisions for the sale of tangible personal property (inventory). Throwback means assigning sales to the jurisdiction of origin when the sales are not taxable by the jurisdiction of the destination. This application could result in more sales (for apportionment purposes) being assigned to the jurisdictions. The proposed changes do not conform to the state's throwback provision, and, going forward, throwback would still not be required.

Businesses that perform services and sell non-tangible personal property will see the most significant changes to their city, county, and metro tax burdens, which will now more closely align with what income is being apportioned to Oregon.

Not only will the adopted changes reduce cumbersome alternative tracking of sales for local jurisdictions, but service providers who employ labor forces in the local markets should see a meaningful reduction of taxable income for those services performed for clients outside of the metropolitan area.

Furthermore, businesses from outside of the Portland region and outside of Oregon will now be required to apportion their income into the city/county/metro taxing authorities to more equitably raise tax revenue as a reflection of the greater economy where commerce is routinely conducted across jurisdictional boundaries.

Change is never easy, and it has been a constant in the tax environment these past few years. Perkins continues to evolve daily with the shifting landscape so that we can help you make the best decisions for your business. The new changes are in effect for the first quarter of the 2023 calendar year. Reach out to Perkins to help you plan for what's to come.